

FARRIS, MATHEWS, BRANAN
BOBANGO & HELLEN P.L.C.

ATTORNEYS AT LAW

618 Church Street, Suite 300
Nashville, TN 37219

(615) 726-1200 telephone
(615) 726-1776 facsimile

REC'D TN

REGULATORY AUTH.

'00 MAR 16 PM 4 17

OFFICE OF THE
EXECUTIVE SECRETARY

MEMPHIS DOWNTOWN
One Commerce Square, Suite 2000
Memphis, TN 38103

(901) 259-7100 telephone
(901) 259-7150 facsimile

MEMPHIS EAST
530 Oak Court Drive, Suite 345
Memphis, TN 38117

(901) 762-0530 telephone
(901) 683-2553 facsimile

Of Counsel
Henry H. Hancock
Marye Helen Owen

William W. Farris
Harlan Mathews
Homer Boyd Branam, III
John A. Bobango ^{1,2}
Tim Wade Hellen
Edwin Dean White, III
Charles B. Welch, Jr.
John Michael Farris ²
D. Edward Harvey
Eugene Stone Forrester, Jr.
Dedrick Brittenum, Jr.
Barry F. White
Robert F. Miller
Robert A. McLean ⁵
Anita I. Lotz
Jerry W. Taylor
Michael B. Chance
Mark E. Beutelschies ¹

Steven C. Brammer
Richard H. Booth
Robert D. Hyde ⁴
Michael T. Evangelisti
Kimberly Harris Jordan
Garrett M. Estep ³
Montgomery B. Sernel
Paul C. Peel
Jon F. Minkoff

¹ also licensed in Arkansas
² also licensed in Florida
³ also licensed in Kentucky
⁴ also licensed in Mississippi
⁵ Tennessee R31 Listed Mediator

March 10, 2000

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

VIA HAND DELIVERY

Re: **APPLICATION AND JOINT PETITION OF MEMPHIS LIGHT, GAS, & WATER
AND A&L NETWORKS-TENNESSEE, LLC FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE, INTRALATA
TELECOMMUNICATIONS SERVICES
DOCKET NO. 99-00909**

Dear Mr. Waddell:

Enclosed for filing, please find the original plus thirteen (13) copies of Direct
Testimony and Exhibits of William J. Barta on behalf of the Tennessee Cable
Telecommunications Association. Copies are being served on parties of record.

If you have any questions or concerns with regard to this filing, please do not
hesitate to contact me.

Very truly yours,
**FARRIS, MATHEWS, BRANAN
BOBANGO & HELLEN, P.L.C.**

Charles B. Welch, Jr.
Charles B. Welch, Jr.

cc: Carolyn Marek
Dean Deyo

POSTED
3/17/00

BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE
EXECUTIVE SECRETARY

Re: Application and Joint Petition of Memphis Light,)
Gas, & Water and A&L Networks-Tennessee, LLC for) Docket No. 99-00909
a Certificate of Convenience and Necessity to Provide)
Intrastate, IntraLATA Telecommunications Services)

DIRECT TESTIMONY

AND EXHIBITS

OF

WILLIAM J. BARTA

ON BEHALF OF THE

TENNESSEE CABLE TELECOMMUNICATIONS ASSOCIATION

1 **TENNESSEE CABLE TELECOMMUNICATIONS ASSOCIATION**

2 **DIRECT TESTIMONY OF**

3 **WILLIAM J. BARTA**

4 **DOCKET NO. 99-00909**

5 **March 16, 2000**

6
7
8
9 **Q. Please state your name and business address.**

10
11 A. My name is William Barta, and my business address is 7170 Meadow Brook
12 Court, Cumming, Georgia 30040.

13
14 **Q. What is your occupation?**

15
16 A. I am the founder of Henderson Ridge Consulting, Inc., a regulatory consulting
17 firm. The firm's practice focuses on the technical and policy issues confronting
18 the telecommunications and electric utility industries.

19
20 **Q. Please provide a summary of your education and professional experience.**

21
22 A. From 1975 through 1978, I attended The Lindenwood Colleges where I received
23 a Bachelor of Arts degree, cum laude, with a study emphasis in accounting.
24 Upon graduation, I held accounting staff positions with a privately-held
25 corporation and with a division of a large, public corporation. The primary
26 responsibilities of these positions were to perform financial ratio analysis, cost
27 accounting functions, and to supervise the monthly book close and preparation of
28 the financial statements. In 1980, I enrolled in the graduate business program at
29 Emory University and received my Masters of Business Administration with
30 concentrations in finance and marketing.

1 After graduating from Emory University in 1982, I joined the Bell System as an
2 Account Executive where I was responsible for the sale/lease of regulated
3 products and services to large business customers. In late 1983, I transferred to
4 AT&T Communications where I provided a broad range of accounting regulatory
5 support functions to the nine state Southern Region.

6
7 From 1986 through 1988, I held various positions in the regulatory departments
8 of Contel Corporation, an independent local exchange carrier. My
9 responsibilities ranged from tariff support to ratemaking and rate design issues to
10 line of business feasibility studies.

11
12 In April 1988, I joined the firm of J. Kennedy and Associates, Inc., a regulatory
13 and economic consulting firm. As a Manager at Kennedy and Associates, I
14 directed or supported the ratemaking investigations of major telecommunications
15 and electric utilities. My work covered rate design, revenue requirements
16 analysis, and the determination of the appropriate cost of capital and other issues
17 associated with traditional rate base/rate of return regulation.

18
19 I have conducted management and compliance audits of regulated
20 telecommunications and electric utilities. I have examined utilities' filings
21 regarding other matters such as merger proposals, alternative regulation requests,
22 affiliate relationships, network modernization proposals, and emerging
23 competition.

24
25 **Q. Do you hold any professional certifications?**

26
27 **A.** Yes. I am a Certified Fraud Examiner and a Certified Public Accountant with an
28 active license to practice in the State of Georgia.

1 **Q. Please provide a brief overview of your experience that is germane to this**
2 **proceeding.**

3
4 A. A critical issue that the Tennessee Regulatory Authority (“the TRA” or “the
5 Authority”) will be requested to address in its evaluation of the Application and
6 Joint Petition of Memphis Light, Gas, & Water (“MLGW”) and A&L Networks-
7 Tennessee, LLC (“A&L”) is the nature of and control over the companies’
8 affiliate transactions. The TRA must ensure that the opportunities for the
9 regulated, utility divisions of Memphis Light, Gas, & Water to engage in anti-
10 competitive practices or inappropriately cross-subsidize its telecommunications
11 venture are identified and minimized.

12
13 I have been involved and/or testified in numerous regulatory proceedings that
14 have been initiated to examine the affiliate transaction policies and cost
15 allocation procedures of regulated utilities. I have participated in examinations
16 of BellSouth’s affiliate transaction policies and procedures. I have conducted a
17 series of compliance audits and affiliate transaction studies of independent local
18 exchange carriers on behalf of the Georgia and Louisiana Public Service
19 Commissions.

20
21 I have reviewed the affiliate transactions of major investor owned electric
22 utilities including an engagement that involved the very issues being considered
23 in the instant proceeding. I examined the filing of the Electric Power Board of
24 Chattanooga (“the EPB”) to form a telecommunications division much like the
25 one being proposed by MLGW. The results of my review of the EPB’s
26 application for a Certificate of Public Convenience and Necessity were presented
27 in testimony before the Tennessee Regulatory Authority in Docket No. 97-
28 07488.

1 Additional detail with respect to my qualifications can be found in
2 Exhibit__(WJB-1).

3
4 **Q. On whose behalf are you testifying in this proceeding?**

5
6 A. I am testifying on behalf of the Tennessee Cable Telecommunications
7 Association ("TCTA").

8
9 **Q. What is the purpose of your testimony?**

10
11 A. I have been retained by the TCTA to address the concerns raised by the request
12 of Memphis Light, Gas, & Water for a Certificate of Public Convenience and
13 Necessity to provide intrastate, intralata local exchange telecommunications
14 services.

15
16 **Q. Please summarize your testimony.**

17
18 A. Memphis Light, Gas, & Water, jointly with A&L Networks-Tennessee, LLC, has
19 filed an Application and Joint Petition on November 8, 1999 with the Tennessee
20 Regulatory Authority to provide intrastate, intralata local exchange
21 telecommunications services in Tennessee. The transactions to date, and those
22 likely to occur in the future, between the telecommunications venture and the
23 regulated, utility divisions of MLGW raise concerns that the affiliate relationship
24 has resulted, and could continue to result, in inappropriate and anti-competitive
25 cross-subsidies on behalf of the nonregulated entity.

26
27 The pro-competitive policies of the TRA encourage market entry by new
28 participants. Such entry, however, must be founded upon the principles of
29 economic efficiency and competitive fairness. Representatives of MLGW and
30 Memphis Networkx have made repeated verbal and written assurances that the

1 telecommunications venture has been formed and will operate just like a private
2 industry competitive local exchange carrier ("CLEC"). The companies' claims
3 have merely created the perception that the affiliate transaction activity between
4 the regulated, utility divisions of MLGW and Memphis Networkx will be minimal
5 and limited to straightforward, contractual agreements (e.g. pole attachment fees,
6 leasing of right-of-way and conduit). In reality, however, Memphis Networkx has
7 benefited from the outset in its relationship with MLGW.

8
9 Memphis Networkx has enjoyed preferential treatment that no other CLEC could
10 expect to receive. For instance, the company has had fiber facilities deployed on
11 its behalf by MLGW's Electric Division with only a vague agreement to "settle up
12 later." Memphis Networkx has also enjoyed unrestricted access to MLGW utility
13 personnel and customer information. Other areas of potential cross-subsidy
14 include the apparent intent to use the existing infrastructure of MLGW and its
15 name recognition. Indeed, a manager at MLGW candidly discussed the issue of
16 cross-subsidy in an internal memo. His assessment of the telecommunications
17 venture's capabilities is concisely summarized at the end of the memo: "[I]t
18 would seem that we need to give our venture some sort of advantage. On a level
19 playing field, Time-Warner and BellSouth have the money and resources to beat
20 us if they want to."

21
22 Equally important, it appears that the individuals associated with the
23 telecommunications start-up have attempted to circumvent the regulatory process.
24 First, there has been an effort to control and restrict access to information in order
25 to hinder potential inquiries into the company's activities. Second, the company
26 has initiated the deployment of facilities prior to receiving the required approval
27 of the TRA. The personnel involved appeared to have been aware of this
28 restriction as A&L arranged to assume ownership of the facilities until such time
29 that the requisite TRA approval was secured. At that point, ownership would then
30 be transferred to Memphis Networkx.

1
2 It is very difficult to detect anti-competitive cross-subsidy between the regulated
3 operations of a utility and its nonregulated activities. An affiliate transaction
4 review becomes especially burdensome when the companies under examination
5 intend to deliberately limit disclosure. The TRA's oversight is likely to be
6 rendered less effective if MLGW and Memphis Networkx attempt to limit the
7 availability of information. Thus, the TRA should seriously consider denying the
8 Application and Joint Petition.

9
10 In reaching its decision on whether to approve or deny the Application and Joint
11 Petition, the Authority should keep in mind that the privilege to provide service in
12 the competitive marketplace comes with the obligation to do so in a responsible
13 and equitable fashion.

14
15 **Q. How was this proceeding initiated?**

16
17 A. This proceeding has been initiated as a result of Memphis Light, Gas & Water's
18 and A&L Network-Tennessee, LLC's Application and Joint Petition filed on
19 November 8, 1999 to provide intrastate, intralata local exchange
20 telecommunications services in Tennessee. On page 5 of the Application and
21 Joint Petition, MLGW states that it "intends to provide wholesale local exchange
22 telecommunications services to carriers, including competitive local exchange
23 carriers, incumbent local exchange carriers, as well as retail local exchange
24 telecommunications services to end users."

25
26
27 **Q. Does the proposed ownership structure of the Memphis Networkx operating**
28 **entity separate the telecommunication operations of MLGW from its**
29 **regulated utility services?**
30

1 A. Yes, but only in an indirect sense. MLGW has formed a Telecommunications
2 Division within its Electric Division. The Telecommunications Division has
3 entered into an agreement with A&L Networks-Tennessee, LLC. A&L is a
4 wholly owned subsidiary of a Kansas limited liability company, Aptus Networks,
5 LLC. The Telecommunications Division of MLGW and A&L will jointly own a
6 separate, legal entity doing business as Memphis Networx, LLC. The Electric
7 Division of MLGW has provided the funding for the Telecommunications
8 Division's share of capital contributions to the new venture through an
9 interdivisional loan.

10
11 **Q. What concern is raised as a result of MLGW's decision to enter the**
12 **telecommunications market through the recently formed**
13 **Telecommunications Division?**

14
15 A. The issue of affiliate transactions between the Telecommunications Division's
16 foray into emerging competitive markets (i.e. Memphis Networx) and the
17 regulated operations of MLGW's utility operating divisions is an immediate
18 regulatory concern.

19
20 **Q. Why are the transactions between a regulated utility and its affiliates a cause**
21 **of concern for regulators?**

22
23 A. Transactions between regulated utilities and their affiliates and/or divisions have
24 always been subject to regulatory scrutiny. Federal and state regulators have
25 recognized that strong incentives exist to manipulate the transfer price for assets
26 and services. In the course of providing joint services, there are many
27 opportunities for corporate self-dealing which inflate the costs incurred by the
28 regulated entity while inappropriately lowering the cost structure of the
29 nonregulated affiliate. Competitors and regulators understand that the regulated
30 utility simply does not have the incentive to minimize its costs. Therefore,

1 safeguards must be established to prevent the regulated utility from absorbing
2 capital costs, management, and the costs of other services that should be borne, in
3 part, by other affiliates.
4

5 **Q. How does the proposed business arrangement between the Electric and**
6 **Telecommunications Divisions of MLGW create an environment for anti-**
7 **competitive behavior?**
8

9 A. Absent formal safeguards to minimize the opportunities for potential abuses, the
10 proposed relationship between the Telecommunications Division and the
11 regulated, utility divisions of MLGW could result in the anti-competitive cross-
12 subsidy of the Memphis Networkx operations. At this point in the review of the
13 Application for the company's Certificate of Public Convenience and Necessity, I
14 am not aware of any specific terms or conditions that have been proposed or are
15 already in place that could restrain MLGW from engaging in anti-competitive
16 practices.
17

18 For instance, there are no formal restrictions or cost allocation measures being
19 proposed on the use of MLGW's existing infrastructure and other assets,
20 personnel, or name recognition by Memphis Networkx. The lack of such basic
21 safeguards provides MLGW the opportunity to engage in anti-competitive
22 behavior on behalf of its nonregulated telecommunications venture and to the
23 detriment of its customers of regulated, utility services.

24 **Q. Have MLGW and/or Memphis Networkx representatives made any**
25 **representations with respect to potential affiliated transactions?**
26

27 A. Yes. I had two conversations with representatives of MLGW and Memphis
28 Networkx with respect to the nature of affiliate transactions between Memphis
29 Networkx and the regulated divisions of MLGW. In addition, I have reviewed
30 responses to a series of data requests submitted by TCTA to MLGW seeking

1 information regarding affiliate transactions, cost allocation practices, and other
2 safeguards that could limit the opportunities to engage in anti-competitive
3 behavior.

4
5 **Q. Have the responses to the requests for information and your discussions with**
6 **company representatives resulted in an agreement to set terms and**
7 **conditions that should be established to minimize the opportunities for anti-**
8 **competitive cross-subsidy?**

9
10 **A.** No. Based upon my discussions with company representatives and the responses
11 to discovery, there did not appear to be a need for a formal set of terms and
12 conditions governing the affiliate transactions between Memphis Networkx and the
13 utility divisions of MLGW. The company representatives have provided repeated
14 assurances that Memphis Networkx will operate as a totally autonomous entity and
15 will not engage in any affiliate transactions with the regulated, utility divisions of
16 MLGW except for negotiated pole attachment agreements and perhaps leasing of
17 utility right-of-way and conduit.

18
19 The responses to formal discovery echo the company's claim that there have been
20 -- and there will be -- no or only minimal affiliate transactions between Memphis
21 Networkx and MLGW:

22 **"There are no plans to share or jointly use facilities including**
23 **general support assets. Memphis Networkx may enter into**
24 **agreements to utilize MLGW facilities and any agreements**
25 **would be at arm's length just as with any other providers."**
26 (Response to TCTA Request No. 19).

27
28 and

29 **"Attached as Appendix 24 is a list of MLGW's capital**
30 **expenditures for its telecommunications equipment and**
31 **facilities from 1995-99. MLGW states that there is no**
32 **agreement for Memphis Networkx to lease or have access to any**
33 **of this equipment or facilities. If MLGW and Memphis**
34 **Networkx enter into a future agreement, then it would be**

1 **consistent with all legal and regulatory requirements.”**
2 (Response to TCTA Request No. 24).
3

4 Based upon the company’s assurances that there would be no, or minimal, affiliate
5 transactions, it did not seem necessary to develop a list of terms and conditions to
6 govern activity that was not going to occur. For example, the examination of the
7 existing cost allocation practices to determine whether they are adequate to
8 govern the transactions between the Telecommunications Division and the
9 regulated, utility divisions of MLGW did not seem warranted. The company’s
10 statement that there would be no affiliate transactions that would trigger the need
11 for such cost allocation mechanisms or other accounting safeguards essentially
12 rendered the anti-competitive cross-subsidy concerns moot.
13

14 **Q. In light of these assurances from MLGW and Memphis Network that the**
15 **affiliate transaction activity will be minimal and limited to negotiated,**
16 **contractual transactions, what is your recommendation to the TRA**
17 **regarding implementation of formal safeguards and controls to minimize the**
18 **opportunity for anti-competitive cross-subsidy?**
19

20 A. At a minimum, I believe the TRA should impose a stringent set of terms and
21 conditions upon Memphis Network in order to minimize the opportunities for the
22 nonregulated entity to engage in anti-competitive behavior with the regulated,
23 utility divisions. Preferably, the TRA should deny the company’s Application
24 based upon a review of its activities to date.
25

26 **Q. Why do you believe a stringent set of terms and conditions, at a minimum,**
27 **should be implemented by the TRA if the company claims that the affiliate**
28 **transaction activity between Memphis Network and the regulated utility**
29 **divisions of MLGW has been and will be minimal?**
30

1 A. The company has merely created the perception that only minimal affiliate
2 transaction activity will occur between the nonregulated telecommunications
3 venture and the regulated, utility divisions of MLGW. The perception that
4 Memphis Networkx will be a totally autonomous entity operating just like any
5 other competitive local exchange carrier has been advanced for the benefit of
6 external parties, including its competitors and regulators. The reality within
7 MLGW and Memphis Networkx, as evidenced by a volume of documents, clearly
8 indicates that the telecommunications venture expects to leverage the existing
9 assets of MLGW, including its name recognition. Thus, if the TRA approves the
10 company's Application, a well-defined set of affiliate transaction requirements
11 should be established to prevent the potential abuses that could arise from the
12 affiliate transaction activity and create a competitive advantage relative to other
13 competitive local exchange carrier.

14
15 Q. **What is the basis for your conclusion?**

16
17 A. There is substantial documentation that indicates that Memphis Networkx intends
18 to benefit from its affiliate relationship with the regulated, utility divisions of
19 MLGW. Although interested parties, including the TRA, have been presented
20 with the image of Memphis Networkx operating just like a private industry CLEC,
21 internal communications between key individuals associated with the
22 telecommunications venture indicate that the operations of Memphis Networkx
23 should be positioned to benefit from the relationship with MLGW's regulated,
24 utility divisions. The companies' strategy to intertwine the existing utility
25 operations with those of the nonregulated telecommunications venture is apparent
26 based upon a review of internal correspondence as well as information exchanged
27 with external parties.

28
29 Exhibit__(WJB-2) through Exhibit__(WJB-5) provide just a few of the examples
30 of MLGW's and Memphis Networkx' activities to date that are anti-competitive.

1 The exhibits include examples of Memphis Networkx' intent to use the existing
2 infrastructure and other assets of MLGW's regulated, utility divisions, its
3 unrestricted access to MLGW personnel and customer information, its
4 exploitation of MLGW's name recognition, and its deployment of network
5 facilities and entering into contracts prior to receiving the TRA's approval to
6 operate as a competitive local exchange carrier. The examples clearly
7 demonstrate the type of anti-competitive behavior that alarms the competitors of
8 Memphis Networkx and should concern the TRA as well.

9
10 **Q. You have indicated that the TRA should consider denying this Application.**
11 **What is the basis for the recommendation?**

12
13 **A.** There is compelling evidence that would support the Authority's decision to deny
14 the company's Application for a Certificate of Public Convenience and Necessity.
15 First, the companies' insistence that only minimal affiliate transaction activity has
16 occurred or will occur between Memphis Networkx and the regulated, utility
17 divisions of MLGW is at odds with its actual behavior and intent.

18
19 An equally disturbing consideration is the companies' efforts to restrict disclosure
20 of information and material that would permit an objective review of its
21 operations and affiliate transactions. Based upon correspondence obtained from
22 MLGW's response to a request for public records, referenced in the Networkx
23 responses to TCTA data request, there appears to be a deliberate attempt to limit
24 the availability of information to any party who may not be fully supportive of the
25 operations and activities of Memphis Networkx.

26
27 It is very difficult to detect anti-competitive cross-subsidy between the regulated
28 operations of a utility and its nonregulated activities. An affiliate transaction
29 review becomes especially burdensome when the companies under examination
30 intend to limit disclosure. In the case of MLGW and Memphis Networkx, there are

1 simply too many episodes where the individuals responsible for the organization
2 and operations of Memphis Networkx have made decisions to withhold
3 information in order to hinder potential inquiries into the company's activities.
4

5 **Q. Please provide specific examples where individuals associated with MLGW**
6 **or Memphis Networkx have indicated an intent to restrict access to**
7 **information?**
8

9 **A. In a July 22, 1999 memo from Erik Wetmore to a MLGW distribution list, "in-**
10 **kind contributions" were discussed:**

11 **"In-kind contribution: Herman was curious why A&L was**
12 **granted \$1.2 million for its in-kind contribution and MLGW**
13 **\$0.0. I mentioned that this was in part due to public disclosure**
14 **reasons, but Herman will talk to Wade and Mike to get their**
15 **thoughts and recommendations."**
16

17 An exchange of memos between Wade Stinson and Alex Lowe on August 23,
18 1999 further illustrate the strategy that access to information should be controlled
19 and restricted:

20 **"Larry has advised that we need to think about how to handle**
21 **requests for information on the telecom venture. For example,**
22 **the article in the CA on Saturday where the professor said he**
23 **would like to see the business case that justified the third**
24 **network. What document or documents would we be willing to**
25 **release if asked? My thought is that if we can give out some**
26 **rather benign info upon request, it may prevent general or all-**
27 **inclusive requests thru the public records channel. Think**
28 **about this and let's discuss soon. Thanks, Wade"**
29

30 and in response
31

32 **"Sounds like a plan to me. We should also identify just what**
33 **documents MLGW has and what A&L has. This will prevent**
34 **disclosure of sensitive information if they get aggressive. I**
35 **suggest Jerry and Erik develop that list. I think general**
36 **financial information like what went to the city should be**

1 developed for such a request. Then anything else will be
2 moved to A&L (or MNet? ask Rickie or Max) to keep it out of
3 the line of fire. Then, let them see what MLGW has and hope
4 that satisfies them. Al.”
5

6 A handwritten note on the bottom of the memos states: “A&L to keep
7 documents for now – then transfer to MNet. Get all documents out of
8 MLGW.”
9

10 The notes summarizing a meeting among the individuals associated with the
11 telecommunications project are also revealing with respect to the manipulation of
12 information released to interested parties:

13 “Marc to explore ideas of slipping budget passed board in
14 December by loaning the money then having it paid out. Not a
15 line item veto, it is approval of the whole budget.”
16

17 “Alex wants a strategy drafted to minimize the risk of public
18 records.”
19

20 **Q. What are the most important considerations that the TRA should keep in**
21 **mind in deciding whether to approve or deny the Application and Joint**
22 **Petition for a Certificate of Public Convenience and Necessity filed by the**
23 **companies?**
24

25 **A.** The companies’ Application and Joint Petition should be carefully scrutinized by
26 the Authority. Despite claims to the contrary, the telecommunications venture of
27 MLGW is already receiving preferential treatment and will likely continue to do
28 so. Evidence clearly indicates that Memphis Networkx has benefited from its
29 relationship with the regulated, utility divisions of MLGW. For instance, the
30 company has had fiber facilities deployed on its behalf through the regulated
31 operations of MLGW with only a vague verbal agreement to “settle up later.”
32 Memphis Networkx has also enjoyed unrestricted access to MLGW personnel and
33 customer information.

1
2 These activities, although questionable at best, should at least be governed by a
3 formal set of cost allocation guidelines and procedures. MLGW has not presented
4 the Authority, however, any specific revisions to its existing cost allocation
5 procedures that demonstrate the affiliate transactions with the
6 Telecommunications Division will be entered into through "arms-length"
7 arrangements. In order to obtain a better sense of the type of affiliate transaction
8 activity that the companies have engaged in to date, the Electric or
9 Telecommunications Division should present the detail of the financial activity
10 recorded to the investment account where the expenditures incurred on behalf of
11 Memphis Networx have been capitalized (i.e. individual financial transactions
12 journalized to the general ledger).

13
14 Equally important, based upon a review of internal correspondence, the principal
15 players associated with the organization and operations of Memphis Networx
16 appear to have made an attempt to circumvent the regulatory process. First, there
17 has been an effort to control and restrict access to information as discussed in the
18 previous response. Second, the company has initiated the deployment of facilities
19 prior to receiving the required approval of the TRA. The personnel involved
20 appeared to have been aware of this restriction as A&L arranged to assume
21 ownership of the facilities until such time that the requisite TRA approval was
22 secured. At that point, ownership would then be transferred to Memphis
23 Networx.

24
25 In reaching its decision, the TRA should weigh the candid assessment of
26 supervisor regarding Memphis Networx' presence and business conduct in the
27 competitive telecommunications marketplace:

28 **"I realize the law says we can't cross-subsidize, but, likewise,**
29 **we aren't supposed to cross-subsidize electric with gas**
30 **revenues, water with electric, etc. However, we have found**
31 **ways to realize economies of scale and cooperate in ways that**

1 keep our costs down. Using this philosophy, couldn't our
2 construction crews run service drops, customer service folks
3 install and service phone and cable hookups, our training
4 center teach PC software classes, and our marketing
5 department sell phone service, home security system, and the
6 Disney Channel?
7

8 It would seem that we need to give our venture some sort of
9 advantage. MNet is a little guy in this market, but we aren't
10 competing with little guys. On a level playing field, Time-
11 Warner and BellSouth have the money and resources to beat
12 us if they want to." (September 15, 1999 memo from Allan Long
13 to Michael Kissell and Wade Stinson).
14

15 A copy of the entire memo is provided in Exhibit__(WJB-6).
16

17 **Q. Does this conclude your testimony?**
18

19 **A. Yes.**

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

**Re: Application and Joint Petition of Memphis Light,)
Gas, & Water and A&L Networks-Tennessee, LLC for)
a Certificate of Convenience and Necessity to Provide)
Intrastate, IntraLATA Telecommunications Services)**

Docket No. 99-00909

**EXHIBITS
OF
WILLIAM J. BARTA**

**ON BEHALF OF THE
TENNESSEE CABLE TELECOMMUNICATIONS ASSOCIATION**

WILLIAM J. BARTA
President, Henderson Ridge Consulting, Inc.

EDUCATION

Emory University	M.B.A. (1982)
Marketing and Finance	
The Lindenwood Colleges	B.A. with Honors (1978)
Business Administration and Accounting	

PROFESSIONAL CERTIFICATION

Certified Public Accountant
Certified Fraud Examiner

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Georgia Society of Certified Public Accountants
Association of Certified Fraud Examiners

EMPLOYMENT HISTORY

1996 - present	Henderson Ridge Consulting	President and Founder
1988 - 1995:	J. Kennedy and Associates	Manager
1986 - 1988:	Contel Corporation	Financial Planning Coordinator
1982 - 1986:	AT&T	Financial Analyst and Account Executive
1981	Simmons, U.S.A.	Special Projects Staff (summer internship)
1979 - 1980:	Gould, Inc.	Senior Accountant
1978 - 1979:	SCNO Barge Lines, Inc.	Staff Accountant

REPRESENTATIVE EXPERIENCE

The Telecommunications Act of 1996:

Addressed policy and technical issues in regulatory proceedings initiated in response to the pro-competitive mandates of the 1996 Act. Subject areas include universal service and access charge reform, interim and permanent pricing for local interconnection and unbundled network elements, avoided retail cost studies for resale purposes, evaluation of local number portability cost studies, assessment of Contract Service Arrangements, and mediation of joint use pole disputes.

Management Audits:

Conducted comprehensive and focused management audits of a major electric investor owned utility, a generation and transmission electric cooperative, distribution electric cooperatives, a Bell Operating Company, and independent local exchange carriers.

Merger Evaluations:

Evaluated the administrative and operational synergies projected in a merger between two electric investor owned utilities and the level of savings and operational efficiency to be achieved from the combination of separate subsidiaries within a Bell Regional Holding Company.

Demand Side Management Program Analyses:

Performed a comprehensive review of the assumptions used in the development of proposed Demand Side Management ("DSM") programs and the benefit/cost ratios of implementing proposed DSM programs as determined by standard regulatory tests. Of particular interest was the nonregulated revenue potential resulting from a load management program designed to achieve spinning reserve status by providing real time communications between the residential customer and the operating dispatch center.

Affiliate Transactions Reviews:

Conducted extensive cost allocation studies and transaction audits of a Bell Regional Holding Company's and independent telephone companies' affiliate transactions, the sale of an electric utility's generating facilities to (and subsequent participation in) a joint venture between the utility and three of its largest industrial customers, the integrated sale of an electric utility's mining operation and long-term coal purchase agreement, the provisions under which a nonregulated subsidiary of an electric utility would market the excess telecommunications capacity of a Demand Side Management program, and the potential cross-subsidy of a regulated electric utility's non-regulated telecommunications operations.

Accounting and Finance Investigations:

Performed comprehensive earnings investigations and revenue requirements studies of AT&T, a Bell Operating Company, independent local exchange carriers, electric investor owned utilities, a generation and transmission electric cooperative, and electric distribution cooperatives.

Expert Testimony Appearances

<u>Date</u>	<u>Case No.</u>	<u>Jurisdiction</u>	<u>Company</u>	<u>Subject Matter</u>
July 1989	333-272	Louisiana	South Central Bell Telephone & Telegraph	Realized and projected rates of return.
August 1989	U-17970	Louisiana	AT&T Communications	Earnings investigation, network modernization, and alternative regulation.
October 1989	U-17282	Louisiana	Gulf States Utilities	Operating expense analysis and nonregulated joint venture evaluation.
January 1990	U-17282	Louisiana	Gulf State Utilities	Regulatory treatment of gain on sale of utility property.
July 1991	4004-U	Georgia	GTE Telephone	Network modernization and depreciation represcription.
October 1991	U-17282	Louisiana	Gulf States Utilities	Results of comprehensive management audit.
Dec. 1992	U-17949 Subdocket A	Louisiana	South Central Bell Telephone and Telegraph	Network technology and modernization and construction program evaluation.
Dec. 1992	U-19904	Louisiana	Entergy/Gulf States	Non-fuel O&M merger related synergies.
March 1993	93-01-E1 EFC	Ohio	Ohio Power Company	Accounting and regulatory treatment of the sale of an affiliate's investment.

Expert Testimony Appearances - continued

<u>Date</u>	<u>Case No.</u>	<u>Jurisdiction</u>	<u>Company</u>	<u>Subject Matter</u>
March 1993	U-19994	Louisiana	Entergy/Gulf States	Merger related synergies.
August 1993	U-19972	Louisiana	Ringgold Telephone Company	Earnings investigation, network modernization, and construction program.
October 1993	U-17735	Louisiana	Cajun Electric Power	Earnings investigation.
May 1994	U-20178	Louisiana	Louisiana Power & Light Company	Analysis of Least Cost Integrated Resource Plan and Demand Side Management programs.
October 1994	5258-U	Georgia	Southern Bell Telephone & Telegraph	Price regulation and incentive rate plan review.
June 1995	3905-U	Georgia	Southern Bell Telephone & Telegraph	Rate design and alternative regulation.
June 1996	96-02-002	California	Pacific Bell Telephone & Telegraph	ISDN TSLRIC study evaluation
August 1996	U-22020 (Direct)	Louisiana	BellSouth Telecomm. Inc.	Avoided retail cost study
Sep. 1996	U-22020 (Rebuttal)	Louisiana	BellSouth Telecomm. Inc.	Avoided retail cost study
Oct. 1997	97-01262 (Direct)	Tennessee	BellSouth Telecomm. Inc.	Permanent pricing for local interconnection and UNEs
Oct. 1997	97-01262 (Rebuttal)	Tennessee	BellSouth Telecomm. Inc.	Permanent pricing for local interconnection and UNEs

Expert Testimony Appearances - continued

Nov. 1997	97-00888	Tennessee		Universal service policy issues
Dec. 1997	P-100, Sub 133b	North Carolina		Universal service FLEC models
Dec. 1997	P-100, Sub 133d	North Carolina		Permanent pricing for local interconnection and UNEs
Jan. 1998	P-100, Sub 133b (Rebuttal)	North Carolina		Universal service FLEC models
Mar. 1998	P-100, Sub 133d (Rebuttal)	North Carolina		Permanent pricing for local interconnection and UNEs
Mar. 1998	P-100, Sub 133g	North Carolina		Universal service policy issues
Mar. 1998	97-07488 (Direct)	Tennessee	Electric Power Board of Chattanooga	Affiliate transactions
Aug. 1998	980696-TP (Direct)	Florida		Universal service FLEC models
Sep. 1998	980696-TP (Rebuttal)	Florida		Universal service FLEC models
Sep. 1998	U-22252, Subdocket D (Initial)	Louisiana		Avoided retail cost study for CSAs/SBAs
Sep. 1998	97-07488 (Rebuttal)	Tennessee	Electric Power Board of Chattanooga	Affiliate transactions

Expert Testimony Appearances - continued

Sep. 1998	U-22252 Subdocket D (Final)	Louisiana	BellSouth	Avoided retail cost study for CSAs/SBAs
July 1999	10288-U	Georgia	Accucomm Telecomm, Inc.	Compliance audit results and affiliate transactions
August 1999	990649-TP	Florida (Direct)		Unbundled network element policy issues
Sep. 1999	990649-TP	Florida (Rebuttal)		Unbundled network element policy issues

Area of Regulatory Concern: Use of MLGW's Existing Infrastructure**1) April 22, 1999 Draft of Memorandum of Understanding (MOU)**

"The telecommunications infrastructure deployed by Mnet will utilize MLGW's existing infrastructure, including the Right-of-Way (ROW) in both Memphis and Shelby County."

2) September 29, 1999 Memo from Michael Kissell to Wade Stinson

"Mnet now requests that MLGW have Entergy install even more fibers for use as part of Mnet's backbone. Additional fibers for Mnet are estimated to cost an additional \$262,000. It is my understanding from previous conversations that MLGW should have these additional fibers installed at MLGW's expense and that MLGW and Mnet will settle up later. . . The Entergy project has reached 'crunch time' and MLGW must inform Entergy this week of MLGW and Mnet needs for additional fiber."

3) November 25, 1999 Interdepartmental Communication from Mike Kissell

"A Tamkin Fiber representative spoke on how utilities get started in the telecom business. The process begins with a feasibility study and a business case. A municipal utility's assets are right-of-way, access to its customers, an ongoing revenue stream, brand name recognition and community support."

4) A&L Networks LLC December 1, 1998 Response to MLGW Request For Proposal for Strategic Telecommunications Partnership**2.2 MLGW Asset Assessment**

MLGW is the largest three-service municipal utility system in the nation, with three distinct and separately financed divisions – electric, gas, and water. As such, MLGW has an extensive and diverse asset base that could be (and has been) leveraged for providing telecommunications services in the Memphis area.

2.2.3 Existing Utility Assets

The electric distribution system provides extensive access to right-of-way (more than 8,300 miles) within Memphis and Shelby County. In addition, MLGW has an extensive natural gas distribution system and one of the largest artesian water systems in the world. With this right-of-way, MLGW's last mile access to every end-user in the greater Memphis area is a tremendous asset for the provision of telecommunications services that cannot be easily or inexpensively replicated by others.

2.2.4 Facilities and Systems

MLGW has extensive facilities throughout the area that could be leveraged for the provision of telecommunication services including the Administration Building in downtown Memphis, four service centers, a 24x7 operations center, a training center, the Water Division operations center, four community offices (for bill payment), customer call center facilities, outside plant design engineering and CAD facilities, raw land, buildings and other facilities. It is expected that these facilities could be utilized extensively in the development of the communications

Area of Regulatory Concern: Use of MLGW's Existing Infrastructure

Facilitate utilization of the existing asset base

Naturally, when one thinks of the assets of MLG&W, he or she can't help but think of the existing infrastructure to include the distribution poles, transmission towers, water tanks, conduit space, and physical structures as well as property. However, the facilities which BellSouth sees as a strategic value for MLG&W in this proposal are:

Billing Service Capabilities
Customer Service Department
Trouble Call Services
and Positive Brand Equity

This plan offers MLG&W an additional avenue to strengthen this bond because:
It builds on MLG&W Brand equity."

7) March 24, 1999 Memo from Erik Wetmore to MLGW.Corp

"Entergy FOG job: need to ensure that this is appropriate for mass-telecommunications needs (Mike Kissell/Roger (ADL)/Nortel need to discuss this"

11. Existing and planned conduit (this needs to be a binding agreement; more than just the letter of intent)

- Entergy to deploy fiber optic groundwire along MLGW's existing infrastructure (no contract yet)"

8) March 2, 1999 Letter from Joel D. Halvorson of Arthur D. Little to Wade Stinson and Alex Lowe

"2. Assemble an inventory of existing communications facilities, cable ducts, and aerial and underground rights of way that would be useful for the network. Much of this information has been compiled by MLGW.

3. Review the five-year construction plan for the electric, gas and water divisions to determine if the current schedule is synergistic with the network deployment plan. It is expected that the utility construction schedule will need to be adjusted to capture the full benefit of joint construction with the communications network."

9) January 6, 1999 Proposal of A&L Networks LLC, Arthur D. Little, Inc., and Nortel Networks to MLGW for Strategic Telecommunications Partnership

"MLGW has an extensive and diverse asset base that must be leveraged for providing telecommunications services.

Utility Assets: Electricity, gas and water distribution assets that provide conduit, poles, water main and other right-of-way for network deployment.

Facilities and Systems: Administration Building, service centers, operations center, training center, community offices, call center facilities, new la?d, engineering systems, customer systems, trouble call systems

Telecommunications Assets: Analog and digital microwave facilities, fixed and mobile radio systems, fiber optic loop and optical ground wire, PBXs, telephone cable, towers"

Area of Regulatory Concern: Use of MLGW's Existing Infrastructure
network (e.g. for the Central Office for the communications network and for storing equipment).

2.2.5 Telecommunications Assets

MLGW has developed extensive telecommunications assets that have primarily been used for internal operations of the electric, gas, and water systems. The primary components of MLGW's communication systems include"

- Analog microwave system
- Digital microwave system
- Fixed radio system
- Mobile radio system
- Fiber optic loop
- Optical ground wire
- Private branch exchanges (PBXs)
- Telephone cable
- Communication and water towers
- VHF channel

Each of these assets is further described in Appendix C.

In addition, MLGW recently completed the installation of a \$2.7 million Energy Control System (ECS) that has replaced the Supervisory Control and Data Acquisition (SCADA) system. The ECS can be significantly leveraged in the development of the full service communities network as it provides connectivity among all 52 of MLGW's substations in the Electric Division. This communications network is based on an open, non-proprietary architecture and capable of supporting digital communications. With further upgrades to support higher capacity and speeds, the network could be utilized for both communications services as well as enhanced energy management services.

2. Maximum use of MLGW infrastructure – The technology vision must take full advantage of the MLGW infrastructure to minimize the capital cost of network construction as well as achieve synergies for maintaining the network with the other divisions of MLGW.

5) MFS Network Technologies Response to MLGW Request For Proposal for Telecommunications Strategic Partner

"MLGW expects to leverage its right of way and other utility assets in providing service to existing customers."

6) BellSouth Business Systems Response to MLGW Request For Proposal for Telecommunications Strategic Partner

"We understand that this proposal must:
Facilitate utilization of the existing asset base.

Area of Regulatory Concern: Unrestricted Access to MLGW Personnel and Customer Information

1) A&L Networks LLC December 1, 1998 Response to MLGW Request For Proposal for Strategic Telecommunications Partnership

“Benefits to all divisions of MLGW will be realized by offering a bundled package of utility services and leveraging the synergies realized through joint construction activities.”

“As the provider of Home Town Energy services, the addition of the communications services to the existing utility services portfolio will enhance MLGW’s ability to offer a full range of services to customers.”

“In addition, A&L Networks recognizes that MLGW may have other assets that could be effectively utilized in promoting a competitive telecommunications environment in Memphis, such as the billing and customer service systems/facilities. Throughout the development of the business plan, A&L Networks will work closely with MLGW to ensure that the existing utility infrastructure is optimally utilized, thereby increasing the value of MLGW’s combined asset base.”

“2.2.2 Customer Base

MLGW provides access to every potential customer in the region. The MLGW service territory encompasses almost 900,000 people in Memphis, and almost 1.1 million people in Shelby County. Within this service territory, MLGW has approximately 385,000 electric customers, 285,000 gas customers, and 220,000 water customers. . . The growth of MLGW’s customer base will provide substantial synergies with the development and growth of the proposed communications infrastructure.”

2) March 2, 1999 Letter from Joel Halvorson of Arthur D. Little to Wade Stinson and Alex Lowe

“To successfully complete this next phase of work, it will be critical that both MLGW and A&L dedicate significant executive level resources to understand and address the many issues involved in business formation, and make rapid, thoughtful decisions. We recommend that a Steering Team be established that would include executives from both MLGW and A&L. It is our expectation that this team would be extensively involved in the business formation, receive regular updates on the progress of the business case development, and participate in all of the planning workshops identified in the scope of work.”

“In completing the market analysis, we will rely on the work that has already been completed to understand the customer/competitor base in Memphis. This work will be made available to MLGW Network Services and incorporated into our analysis.”

**Area of Regulatory Concern: Unrestricted Access to MLGW Personnel and
Customer Information**

**3) January 6, 1999 Proposal of A&L Networks LLC, Arthur D. Little, Inc., and
Nortel Networks to MLGW for Strategic Telecommunications Partnership**

"MLGW has an extensive and diverse asset base that must be leveraged for providing telecommunications services.

Customer Base: MLGW provides access to every potential customer in the region."

4) March 10, 1999 Memo from Joel Halvorson to Wade Stinson

"I would like to propose that Gene and Mike Kissel be involved in the network planning and market analysis activities. This would require up to 50% time commitment between now and the end of April."

5) April 8, 1999 Memo from Joel Halvorson to Wade Stinson

"If you agree with it as well, we are ready to go forward immediately as we have already spent some time coordinating with the MGLW market research staff and the outside market research firm in Memphis this past week."

Area of Regulatory Concern: Exploiting MLGW Name Recognition**1) April 9, 1999 Letter from Alex Lowe to W.L. Thompson**

"This letter will memorialize discussions to date between MLGW and A&L relating to the provision of telecommunications services (the "Business"). . . *Use of MLGW Name.* For the duration of the Business, MLGW will grant to M-Net a license to use the name "MLGW," by itself or in combination with other words, for the limited purpose of conducting the Business, and for no other purpose and will not license the use of the name "MLGW" to any competing business."

2) A&L Networks LLC December 1, 1998 Response to MLGW Request For Proposal for Strategic Telecommunications Partnership**"2.2.1 Reputation/Brand Name**

MLGW, as the provider of Home Town Energy, is a highly respected company in the Memphis area and has built a solid reputation as a highly regarded employer, a provider of safe and reliable utility services, and a supporter of community development. It is anticipated that use of the MLGW brand will provide a significant advantage to the partnership in attracting and retaining wholesale customers. In addition, these customers may choose to utilize MLGW's brand name in selling their services to the citizens of Memphis. However, this must be carefully managed to ensure that MLGW is not unintentionally perceived as the retail provider of competitive telecommunications services."

3) January 6, 1999 Proposal of A&L Networks LLC, Arthur D. Little, Inc., and Nortel Networks to MLGW for Strategic Telecommunications Partnership

"MLGW has an extensive and diverse asset base that must be leveraged for providing telecommunications services.

Reputation/Brand Name: MLGW is highly respected as an employer, provider of safe and reliability services, and a supporter of community development."

4) November 25, 1999 Interdepartmental Communication from Mike Kissell

"A Tamkin Fiber representative spoke on how utilities get started in the telecom business. The process begins with a feasibility study and a business case. A municipal utility's assets are right-of-way, access to its customers, an ongoing revenue stream, brand name recognition and community support."

**Area of Regulatory Concern: Deployment of Facilities and Entering into Contracts
Prior to Receiving Regulatory Approval**

- 1) **June 1, 1999 Letter from Alex Lowe to Wade Stinson and Larry Thompson**
"Just a short note to confirm our conversation that we have your verbal approval to do the installation of the conduit starting this week.

It is our understanding that A&L Networks, LLC will have ownership of the conduit until such time as the control will be transferred to M-Net based on our upcoming

- 2) **April 1, 1999 Letter from Alex Lowe to J.B. Hollingsworth, General Manager, BellSouth Telecommunications, Inc.**
"Pursuant to that meeting, I outline the following steps that A&L and BellSouth will be taking to facilitate joint trench installation of your cable through Memphis Light, Gas & Water."

- 3) **May 24, 1999 Meeting Notes**
"Start putting in conduit in first available s/d next Mon. or Tues. 100,000 ft conduit in today. Will start in next new s/d started. Dennis James, A&L constr. Supt (Networks) 335-9312 (mobile). A&L ordered and paying for it. Inst per R Hay (ADL) design. Need to get Stds Engrs to review and approve ASAP. Will do hand-drawn as built for now. Will look @ putting on GIS when transferred to MNet. To start w JT subs and then consider other G&E installations (UG). Need to move to MLGW crews and other contractors, also inst. Conduit."

- 4) **September 29, 1999 Memo from Michael Kissell to Wade Stinson**
"MLGW has previously asked Entergy to install additional fibers in the optical ground wire that will be installed from Substation 45 to Freeport Substation. MLGW's estimated cost for the additional fibers is \$384,000. This money is included in the 1999 capital budget.

Mnet now requests that MLGW have Entergy install even more fibers for use as part of Mnet's backbone. Additional fibers for Mnet are estimated to cost an additional \$262,000.

It is my understanding from previous conversations that MLGW should have these additional fibers installed at MLGW's expense and that MLGW and Mnet will settle up later.

The Entergy project has reached 'crunch time' and MLGW must inform Entergy this week of MLGW and Mnet needs for additional fiber."

- 5) **October 1999 Agreement between MLGW and A&L Networks-Tennessee, LLC to establish a joint venture to provide Telecom Services**

From: Allan Long
To: Michael Kissell, Wade Stinson
Date: 9/15/99 10:45AM
Subject: Re: Fiber in power space

I asked a question yesterday about just what MNet was going to do. I believe the answer I got said that it was going to build a top-notch trunk system from which other communication service providers would lease capacity. It was not going to provide service to end users, at least not initially. (Although a lot of our discussion addressed installations in residential developments.)

(Hmmm. Wasn't our partnership with NextLink supposed to provide the same state-of-the-art communications system that we now say MNet will provide?)

When I asked why they would lease this capacity, I was told that it was because 1) it wasn't available from the local telephone company and 2) it would be cheaper than building the system themselves.

I'm wondering why we think this capacity will be cheaper. We aren't providing any advantages to this startup company. They are the last guys on the poles (and in our ducts), so the make ready cost will probably be higher than for any of the others with plant already in the field. (\$212 per pole make ready cost from Time-Warner, I understand.) We aren't going to subsidize the company. We aren't going to provide "free" engineering. We're going to charge a per-pole attachment cost that is fully twice what Time-Warner or Millington Telephone is paying. We aren't going to give it any special consideration that we won't turn right around and offer to anyone else.

So . . . what is going to make this a success?

I'm not trying to be negative. In fact, I've frequently said that we should be in the communications business. (I think I've even said that I'd sell anybody, anything, if we could make a profit at it.) But this venture is not "MLGW". We aren't (yet) pulling fiber up into every service entrance, strapping communications pedestals on the backsides of transformers, using our network vaults for switches, or giving priority option to use our existing duct runs. These are things we could do if it was "us" instead of just another company.

I realize the law says we can't cross-subsidize, but, likewise, we aren't supposed to cross-subsidize electric with gas revenues, water with electric, etc. However, we have found ways to realize economies of scale and cooperate in ways that keep our costs down. Using this philosophy, couldn't our construction crews run service drops, customer service folks install and service phone and cable hookups, our training center teach PC software classes, and our marketing department sell phone service, home security systems, and the Disney Channel?

It would seem that we need to give our venture some sort of advantage. MNet is a little guy in this market, but we aren't competing with little guys. On a level playing field, Time-Warner and BellSouth have the money and resources to beat us if they want to.

- Allan

CC: Clinton Smart, Kenneth Olds